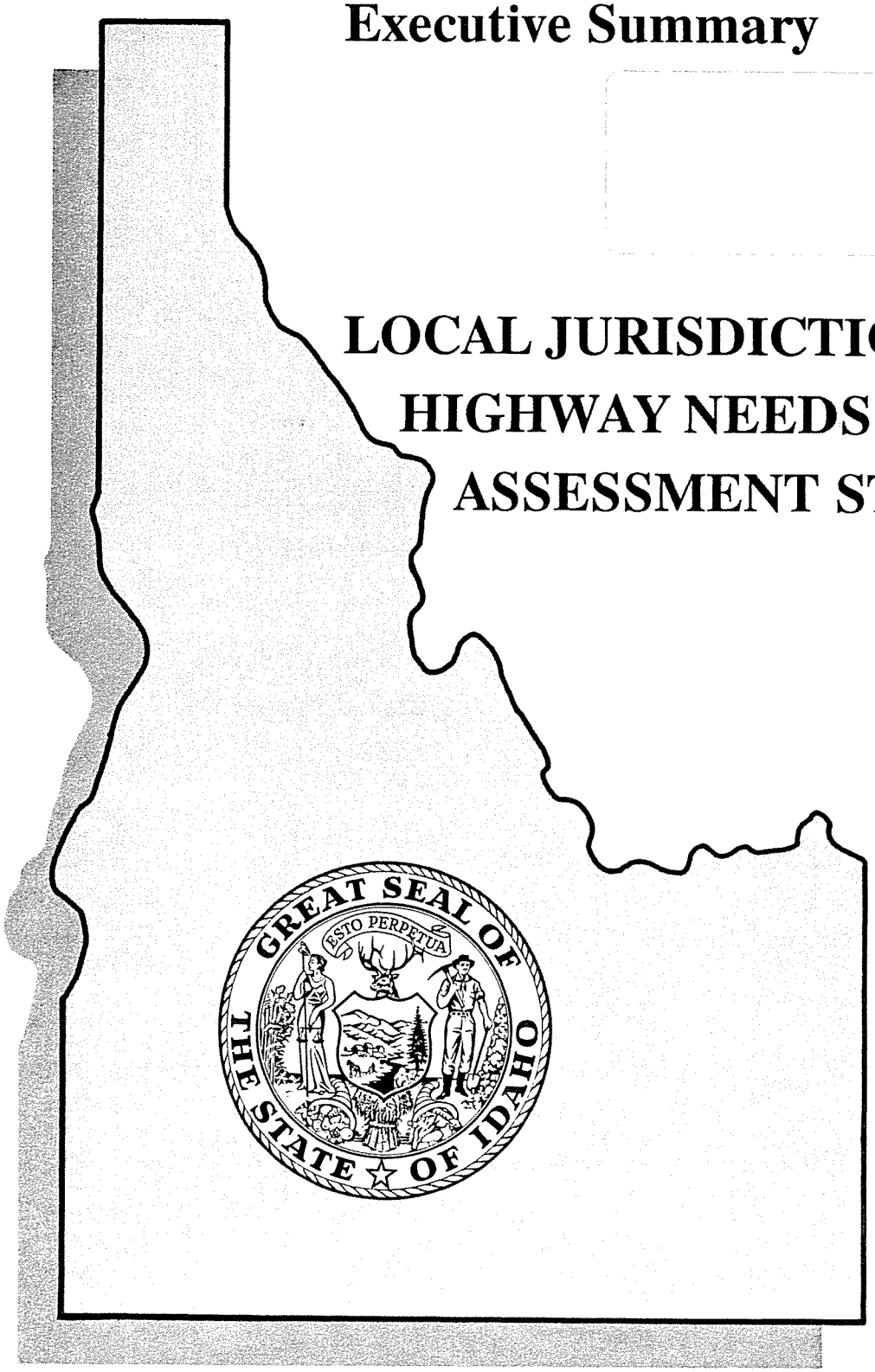
Executive Summary



LOCAL JURISDICTION HIGHWAY NEEDS ASSESSMENT STUDY

WILBUR SMITH ASSOCIATES
in association with
BELL-WALKER ENGINEERS

Local Highway Needs Assessment Council

CHAIRMAN	-	**William A. Smith** - City Supervisor, City of Moscow
		Timothy Ridinger - Mayor, City of Shoshone
		Mary L. Hanson - Chairman, Boise County Commission
VICE CHAIRMAN	-	**Con Alder** - Chairman, Oneida County Commission
		Ray Oliver - Executive Secretary, Idaho Association of Highway Districts
		Tom Lancaster - Chairman, Filer Highway District
SECRETARY-TREASURER	-	**Keith E. Longenecker** - Idaho Transportation Department
		John E. Wanamaker - Idaho Transportation Department

Former members of the LHNA Council who participated in this study:

E. Oscar Baumhoff - formerly, Boise County Commissioner

Robert T. Nail - Chairman, Twin Falls Highway District

Glenn Turner - formerly, Caribou County Commissioner

EXECUTIVE SUMMARY

Idaho Local Highway Needs Assessment Study

From farm-to-market roads to Interstate highways, Idaho's highways, roads and streets are vital to the State's economy. The State's agriculture, forestry, business and commerce, tourism and recreation industries all are dependent on good highways. For the first time, a scientifically derived estimate has been developed which measures the contribution roads make to Idaho's economy.

Beyond doubt, a greater effort needs to be made to maintain the highways, roads and streets in Idaho. Now, for the first time, a comprehensive analysis has been conducted that measures the backlog of highway needs existing in 1989 and forecasts the future needs that will occur through 1994.

A thorough investigation was made of current highway financing arrangements and possible alternative financing measures were examined. The impact of federal operations on state and local roads was studied and the effectiveness of multiple units of governments providing highway maintenance was reviewed.

As charged by the Idaho Legislature, the Local Highway Needs Assessment Council conducted a thorough review of the numerous issues affecting Idaho's highways. These data have been reported to the Idaho Transportation Board. Results of the study are presented in this Executive Summary Report, as well as a Final Report, Economic Impact Report, Economic Impact Brochure and a Compilation of Interim Study Documents.

Local Highway Needs Assessment Council

The Forty-eighth Legislature created the Local Highway Needs Assessment Council (LHNAC) with passage of House Bill 501. This eight member advisory body to the Idaho Transportation Board is made up of two members each representing the cities, counties, highway districts and the Idaho Transportation Department.

After carefully evaluating the charges set forth in House Bill 501, the Council determined there were four major issues to be evaluated:

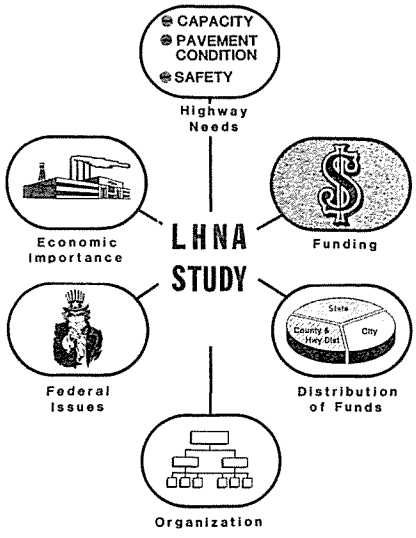
I - Economic Impact of Highways in Idaho

II - Highway Needs in Idaho in Comparison to Revenues

III - Impact of Federal Operations on Idaho's Highways

IV - Examination of Local Organizational Features

The Council began its work in 1986. In 1987, the Council conducted a competitive selection process which resulted in the retention of Wilbur Smith Associates, a prominent international consulting firm, to assist in performance of Phase I. The result of these efforts was identification of the issues that needed to be addressed and a work program whereby this could be accomplished. Subsequently, a second competitive selection process was undertaken and Wilbur Smith Associates was retained to undertake Phase II of the study. In both Phase I and Phase II, Wilbur Smith Associates was ably assisted by Bell-Walker Engineers Inc., headquartered in Boise.



The Council also has been assisted by the Idaho Transportation Department which has served as contract administrators. Further, the Department has provided technical support and data for various study activities.

Clearly, it is not possible to study local jurisdiction roads and streets without also examining state highways. State and local jurisdiction highways form a network which collectively serve the motor vehicle travel needs of Idaho's people and the State's economy. Therefore, the analyses performed by the Council encompasses all highways, roads and streets administered by cities, counties, highway districts and the State government. Roads under the jurisdiction of the Federal government in Idaho were addressed only insofar as there are certain funding issues associated with these roads.

I - Economic Impact of Highways

Good highways are of economic value to every Idaho resident. The Local Highway Needs Assessment Council examined Idaho's highways to estimate the contribution which highways make to the State's economy. Detailed results are contained in a report entitled *The Economic Impact of Roads on the Idaho Economy* (by Wilbur Smith Associates) and are summarized below.

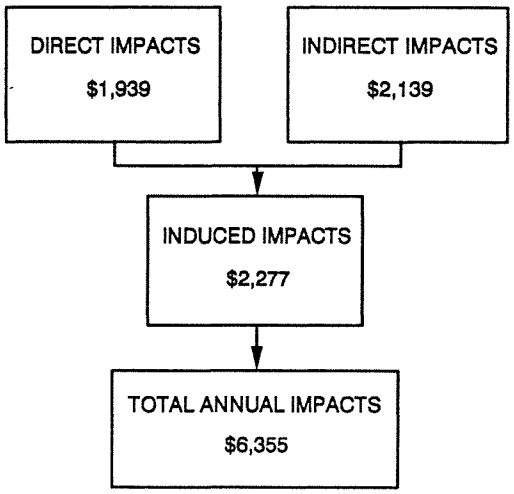
The analyses found that highways in Idaho generate $6.4 billion annually in economic activity, $2.2 billion annually in earnings, and 150,000 Idaho jobs. That translates into an annual earnings impact of $2,200 per person in Idaho.

What is "Economic Impact"?

"Economic Impact" is a measure of the effect which highways have on the economy. Three types of impacts are included:

1. Direct Impacts: created by the provision of highways and motor vehicles.
2. Indirect Impacts: created by the use of highways.
3. Induced Impacts: the "multiplier effect" created by the respending of direct and indirect expenditures.

ANNUAL ECONOMIC ACTIVITY IMPACTS OF IDAHO HIGHWAYS ($ Millions)



Impacts of Local Jurisdiction Highways

Highways in Idaho are administered by either state or local jurisdictions. "Local Jurisdiction Highways" are those that are maintained and administered by city, county and highway district jurisdictions. The economic impacts computed in these analyses include only the value of the financial transactions associated with providing highways and with highway use, and their multiplier effects.

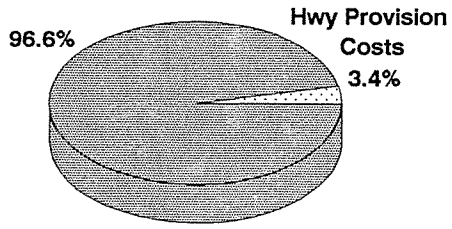
- Of the $6.4 billion of economic activity generated by highways in Idaho, $2.2 billion, or 35 percent, is attributed to local jurisdiction highways.
- Each $1 spent on local jurisdiction highway transportation (direct and indirect) yields an additional $0.54 of annual economic activity in Idaho.
- Each $100 million spent on local jurisdiction highways generates 3,586 jobs for Idaho residents.
- Of the $13.2 billion Idaho Gross State Product, $1.2 billion (9 percent) is generated by the provision, use and induced effect of local jurisdiction highways.

The construction, maintenance and operation of highways at the local jurisdiction level cost $76 million annually. The $76 million spent on local highway provision enables economic benefits of:

- $625 million in motor vehicles and insurance
- $484 million in servicing motor vehicles
- $262 million in travel expenditures
- $787 million in induced impacts

The local jurisdiction investments in highways creates total annual economic activity of $2,234 million in the State. The highway provision costs are a tiny percent (3.4%) of the benefits derived.

ANNUAL ECONOMIC ACTIVITY GENERATED BY LOCAL JURISDICTION HIGHWAYS



II - Highway Needs and Finance

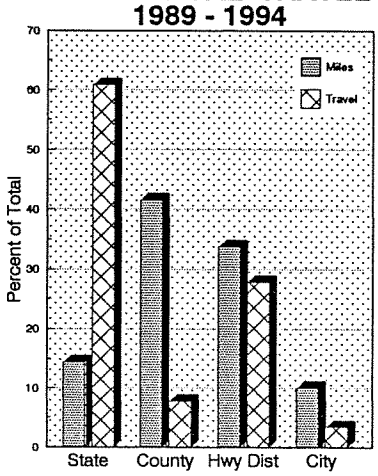
A detailed study was conducted to define the characteristics of the highway system, its current and forecast needs, the highway finances available to each jurisdictional level, and alternative measures to provide additional highway funding.

System Characteristics

As noted, there are four jurisdictional levels which have responsibility for Idaho's non-federal roads and streets. The characteristics of highways vary significantly by jurisdictional level.

The State is responsible for 4,931 miles of highways, most of which are arterial routes, plus some collector roads. The State system serves the principal traffic flows, particularly intercity travel. While State highways comprise only 14 percent of all non-federal highways in Idaho, they carry 61 percent of all vehicle miles of travel (VMT). The vast majority of the State system is paved.

PERCENT OF ROAD MILEAGE AND ANNUAL TRAVEL 1989 - 1994



Counties have responsibility for 14,183 miles of highways, 99 percent of which are in rural areas. A significant portion (24 percent) are collector roads while 10,755 miles are local access roads serving residences, farms, etc. Only 33 percent of the county roads are paved. Although counties are responsible for 42 percent of all highways, these roads carry only 8 percent of all travel.

Highway districts have responsibility for 11,511 miles of roads and streets, including city streets in Ada County and the City of Sandpoint. Some 1,191 miles of highway district facilities are in urban areas. Arterials and collectors comprise 2,962 miles, or 26 percent of the total with the remainder being local access roads. Paved highways account for 48 percent of all highway district facilities. Mileage under the jurisdiction of highway districts accounts for 34 percent of all non-federal highways and carries 28 percent of all traffic.

Cities are responsible for 3,422 miles of streets. Some of this mileage is classified as arterials and collectors (528 miles, or 18 percent). Some 69 percent of streets under city jurisdiction are paved. Streets under city jurisdiction comprise 10 percent of all mileage in the State and serve 3 percent of all travel.

Current Conditions

Many of the highways under State and local jurisdiction are deficient, either functionally, structurally or in terms of safety. As of the beginning of 1989, the following conditions existed:

- 137 miles of highways had congested traffic conditions;
- 3,133 miles of paved highways were in poor surface condition;
- 2,234 miles of gravel/dirt roads served traffic which warranted a paved road;
- 8,200 miles of highways had narrow lanes and poor alignment; and,
- 1,413 bridges had significant structural and/or functional deficiencies (27% of all bridges).

Highway Needs

Estimates of highway needs were developed for existing deficiencies (i.e., backlog needs) and for future deficiencies for the six-year period 1989-1994. Needs estimates indicated that, of necessity, Idaho will have to make some hard choices about the type of highway system that can be achieved. Certainly, the large backlog of needs means it will cost far too much to achieve a system in which accepted standards of service and condition are realized by 1994. Accordingly, alternative needs estimates were determined based on two sets of conditions as follows:

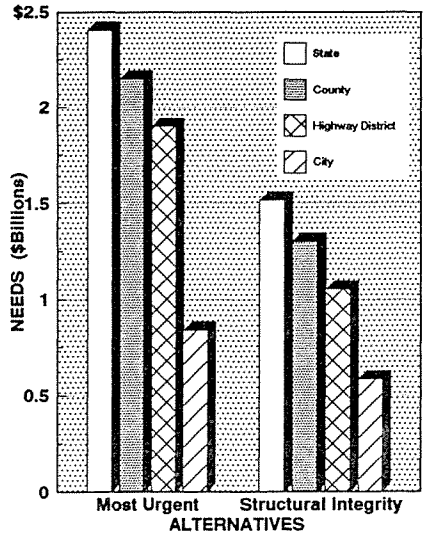
Most Urgent Needs - Includes costs to restore and retain the structural integrity of roadways and bridges so that pavements do not fail and bridges do not collapse. Also includes only the most urgent capacity and safety needs and paving selected roads which currently are not paved. Does not meet established standards and would result in reduced overall conditions.

Structural Integrity Needs - Includes only those costs to restore and retain the structural integrity of roadways and bridges. Does not include any capacity or safety improvements to overcome existing deficiencies or to accommodate future development and traffic growth. Does not include any projects to pave roads which currently are not paved.

These conditions are well below the accepted standards and practices of the Idaho Transportation Department and other highway agencies. Consequently, they do not constitute a recommendation. Instead, they provide a yardstick from which needs measurements were made as part of these analyses. These two needs alternatives help establish the magnitude of the highway problems which Idaho faces. Obviously, they do not include all road and street projects required to provide completely adequate facilities.

For all four jurisdiction levels, Most Urgent Needs for the 1989-1994 period total $7.30 billion. Structural Integrity Needs amount to $4.46 billion, or only 62 percent of Most Urgent Needs. This reduction is attributable to omitting all congestion and safety needs as well as not paving any of Idaho's 16,643 miles of unpaved roads (49 percent of all non-federal highways in the State are unpaved).

TOTAL NEEDS 1989-1994



State - The Idaho Transportation Department (ITD) is responsible for all Interstate highways, the vast majority of all arterial highways (90 percent statewide), plus some collector roads. The Most Urgent Needs on highways administered by ITD total $2.41 billion, of which 52 percent constitute backlog needs, i.e., problems existing in 1989 that should have been addressed previously but were

deferred due to the shortage of funds. To satisfy only Structural Integrity Needs will require $1.52 billion, of which 42 percent are backlog needs.

Local Jurisdictions - With local jurisdictions being responsible for almost 86 percent of all non-federal highways, it is not surprising that, in aggregate, local jurisdiction needs exceed those on the state system. The Most Urgent Needs on highways administered by local jurisdictions total $4.89 billion of which 56 percent are backlog needs. For local jurisdictions, Structural Integrity Needs total $2.94 billion with 36 percent being backlog needs.

County - While most of the roads on the county system are local access roads, thereby carrying relatively low traffic volumes, the many miles of such facilities results in substantial needs. The Most Urgent Needs on the county system total $2.15 billion, only $255 million less than comparable needs on the state system. Structural Integrity Needs for county roads total $1.30 billion.

Highway Districts - While Highway Districts have responsibility for substantial mileage in rural areas, they also are responsible for streets in various cities, including Boise, the State's largest city. The Most Urgent Needs on Highway District facilities total $1.90 billion. Structural Integrity Needs amount to $1.05 billion.

Cities - The Most Urgent Needs in those cities where city governments administer street programs total $0.84 billion. Some $0.58 billion in Structural Integrity Needs were identified for cities with street responsibilities.

Highway Finance

Idaho is similar to other states regarding the sources of funding for highways. Both highway user and non-user (general public) sources are used in recognition that both groups benefit from highways and place demands upon highway system expenditures.

Highway User Revenues - There are two principal sources of highway user revenues, viz., federal- aid and state user taxes which accrue to the Highway Distribution Account (HDA).

Federal User Revenues - Federal-aid for highways derives from the U.S. Highway Trust Fund which receives revenues from federal user taxes such as the 9-cent per gallon tax imposed on gasoline. The majority of these funds are apportioned to the states on the basis of various distribution formulas. Over the 1989-1994 study period, Idaho is expected to receive $518.9 million of federal highway funds, accounting for almost 29 percent of total funds for the State's roads and streets. Of this amount, $43.5 million will be made available for use by local governments.

Idaho User Revenues - The State also imposes taxes on highway users, with net funds being deposited in the Highway Distribution Account. The major state user taxes are the fuel taxes, vehicle registration fees, and gross weight-distance tax. HDA funds are distributed to Law Enforcement (6 percent), the State Highway Account (61 2/3 percent until Fiscal Year 1991, then changing to 59.8 percent) and local governments (32 1/3 percent, changing to 34.2 percent in 1991). The amount of HDA funds going to highway programs from 1989-1994 is estimated to total $977.8 million, thus providing 54 percent of all highway funds.

Idaho's 18 cents per gallon gasoline tax is equalled or exceeded by the gas tax in 20 other states (as of December 1989). In addition, some states add on a sales tax to gasoline to generate additional funds and provide an inflation-responsive tax element. Despite increases in Idaho's gas tax over the years, the purchasing power of these revenues has declined over time. The 18-cents tax today is equivalent in purchasing power to about a 5-cents tax in 1967; or less than the 6-cents tax that was in effect at that time. In fact, since 1975 the effective tax rate has been less than it was in 1967. Periodic tax rate increases by the Legislature have not been sufficient to retain the effective tax rate at the level which existed prior to 1975.

Non-User Revenues - The third major source of funding for highways are property taxes and general fund appropriations which are generated by local governments. Also, local governments receive distributions of State sales tax revenues and a portion of these funds are applied to highways. Non-user funds are estimated to total $320.4 million in the 1989-1994 period and to account for almost 18 percent of all highway funds.

Funding by Jurisdictional Level - Six-year highway funds for the four jurisdictional levels are estimated in the accompanying table.

HIGHWAY USER AND NON-USER FUNDING 1989-1994

JURISDICTION	HIGHWAY USER REVENUES Federal	State	NON-USER REVENUES	TOTAL	% OF TOTAL
	($ Millions)				
State	$475.4	$625.0	–	$1,100.4	60.6
County	11.8	117.8	$68.3	197.8	10.9
Hwy Dist	16.6	155.6	161.2	333.5	18.3
City	15.0	79.4*	90.9	185.3	10.2
TOTAL	$518.9	$977.8	$320.4	$1,817.0	100.0
% of Total	28.6	53.8	17.6	100.0	--

* Accounts for pass through of HDA funds from cities to the Ada County and Sandpoint Highway Districts.

NOTE: Details may not add to totals due to rounding.

Highway Finance Dilemma

These analyses have documented the magnitude of the highway finance dilemma that has been readily apparent to many observers for some time. Highway finance has been inadequate in the past, thus resulting in a significant backlog of highway needs. In fact, in the absence of significant new highway finance initiatives, Idaho can expect the backlog of needs to grow and for highway system performance (operational, structural and safety conditions) to continue to decline.

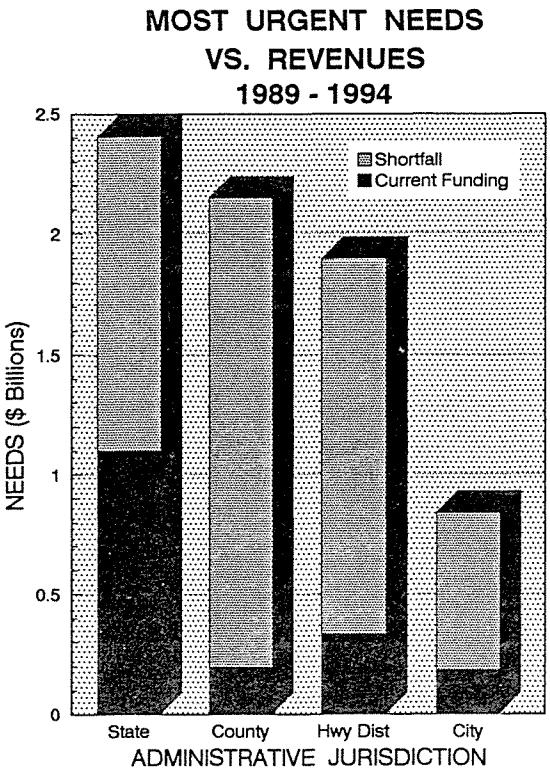
Revenues from existing sources, amounting to $1.82 billion between 1989 and 1994, fall well short of the Most Urgent Needs of $7.30 billion. In fact, these revenues will finance only 41 percent of Structural Integrity Needs. The largest revenue shortfalls occur on the county system ($1.95 billion for Most Urgent Needs and $1.11 billion for Structural Integrity Needs). Highway districts have the second largest revenue shortfalls ($1.57 billion for Most Urgent Needs and $0.72 billion for Structural Integrity Needs). Next in magnitude are revenue shortfalls for the state system ($1.31 billion for Most Urgent Needs and $0.42 billion for Structural Integrity Needs). The shortfall for cities (excluding those cities whose street programs are administered by highway districts) amounts to $0.66 billion for Most Urgent Needs and $0.40 billion for Structural Integrity Needs.

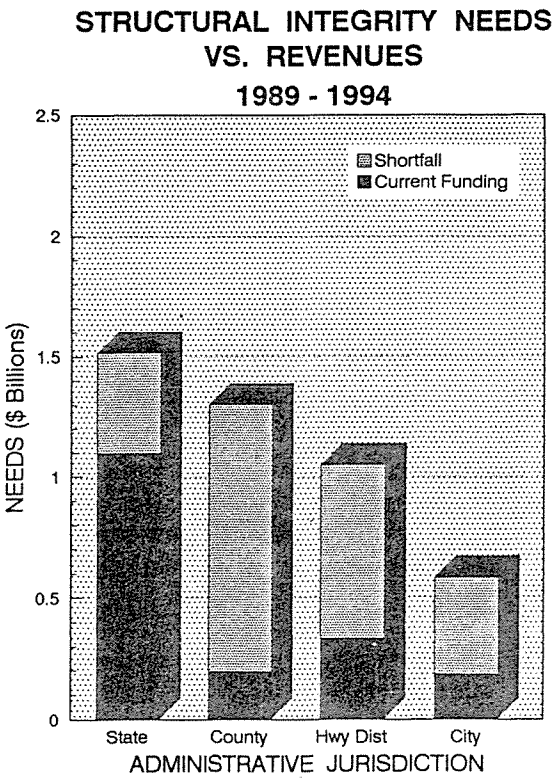
Cost Responsibilities

As noted, revenues for roads and streets derive from both highway user and non-user sources. This division of responsibilities is a fundamental principle in highway finance in Idaho and across the nation. This principle recognizes that non-users of the highway system benefit because highways provide public access to property and contribute to the total economy. Highway users benefit from the transportation function of highways. The distribution of user and non-user benefits differs significantly for the different types of facilities. Interstate highways and other arterial routes provide important mobility functions while non-user benefits are of secondary importance for these facilities. On the other hand, local access roads carry relatively light traffic and principally serve abutting properties. Because of light traffic volumes, these roads generate very little highway user revenues.

An analysis was performed to determine the shares of total needs which should be financed by highway user and non-user revenue sources. This analysis utilized the Earnings-Credit Method which is the most universally accepted approach to user/non-user cost allocation. In reviewing the state-of-the-art in highway cost allocation, the Federal Government concluded in the *State Highway Cost Allocation Guide* that the *"... earnings-credit was the method employed by all States that distinguished between user and non-user shares."*

Highway User Cost Responsibilities - Assignments of cost responsibilities recognize that arterial highways are provided to serve major traffic flows, with access to properties being a subordinate function for these facilities. Accordingly, road users should be responsible for at least a major share of the costs for arterials, plus equitable shares of the costs for collector and land access facilities which have less prominent travel functions.





Based on an analysis of Most Urgent Needs, the highway user cost responsibility amounts to $4.28 billion of the $7.30 billion in needs, or 59 percent. The forecasted $1.50 billion in highway user revenues from existing sources falls short by $2.78 billion, i.e., only 35 percent of the highway user responsibility will be funded in the absence of increases in highway user revenues. Obviously, revenue shortfalls are less when compared to cost responsibilities for Structural Integrity Needs. Highway user revenues from current sources will cover 69 percent of their $2.17 billion cost responsibility.

Non-User Cost Responsibilities - Cost responsibility determinations recognize that land access roads and streets play a minor role in serving traffic flows. Instead, these facilities primarily provide a means of access to farms, houses, etc. Highway user tax earnings from travel on land access roads are very small and cover only a minor portion of the costs of such roads and streets. The major responsibility for such facilities equitably is assignable to non-user revenue sources such as property taxes or general sales taxes.

For Most Urgent Needs, the non-user cost responsibility is $3.02 billion, or 41 percent of total needs. However, study forecasts indicate a very substantial shortfall in non-user revenues. The $0.32 billion in non-user revenues will cover only 11 percent of the non-user cost responsibility for Most Urgent Needs. In the case of Structural Integrity Needs, non-user revenues will fund only 14 percent of the $2.31 billion non-user cost responsibility.

Highway Finance Alternatives

It is clear that Idaho must make a hard choice to either allow the quality of its highway systems to decline or to increase the funds applied to highways. There are a number of finance alternatives that can be considered and the principal choices are shown in the accompanying table.

Given the magnitude of revenue shortfalls, it is not practical that any single measure will be adequate. Instead, a package of finance measures are needed if further deterioration of the highway system is to be halted (or slowed).

Study analyses clearly indicate that Idaho has placed too little emphasis on non-user revenues to pay for the non-user share of highway needs. In the past, very limited amounts of property tax and general fund appropriations have been applied to the needs of local access roads and streets. Additionally, highway user tax revenues generated by these facilities are grossly inadequate to cover their needs.

If past trends continue, non-user revenues will provide only 17.6 percent of total highway funds in the 1989-1994 period. However, non-user sources should provide 41.4 percent of the funding for Most Urgent Needs, based upon cost responsibilities established by state-of-the-art analytical methodologies.

Consequently, a two-pronged approach is logical in view of existing highway finance structures and the relative cost responsibilities of highway users and non-user sources. Trying to finance the shortfall by concentrating upon only one of these two areas will not be as effective or equitable as increasing both highway user and non-user revenues.

The Federal Government currently is developing a National Transportation Policy which is expected to influence heavily the forthcoming 1991 Surface Transportation Assistance Act. Federal officials already are making clear that states and local governments *"... must look for new and creative funding mechanisms ... you can't plan on any new money from the federal government ... more public-private partnerships and more fully private initiatives will help...."* Further, there is much to indicate that future federal programs will place major emphasis on a *"highway system of national significance"* and that the non-federal share of transportation funding will have to increase.

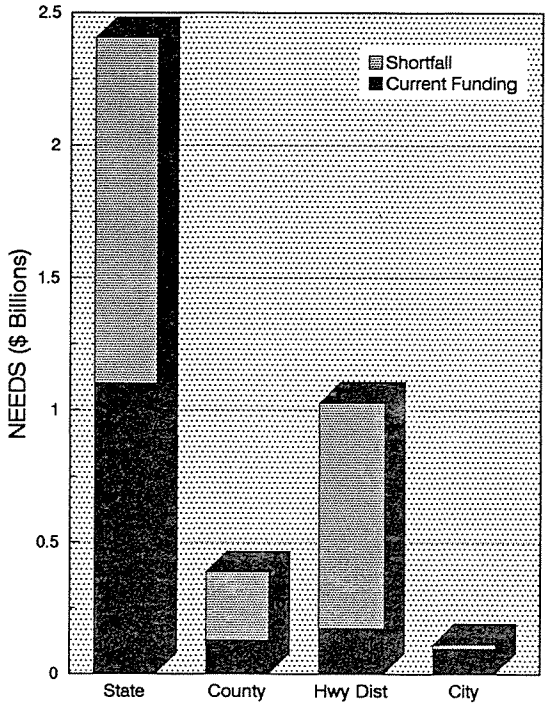
The magnitude of Idaho's highway needs, the shortfalls in both highway user and non-user revenues, the likely direction of new federal programs, and the major dependence of the State on highway transportation all forcibly indicate that strong initiatives are required if the State is to go forward rather than backward in its transportation program.

Distribution of Highway User Revenues

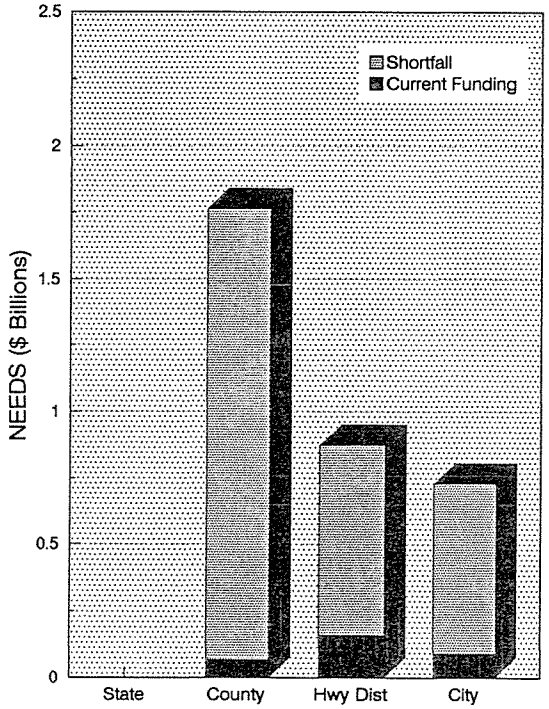
Investigations were made regarding four aspects of highway user revenue distribution, viz., (1) the

FUNDING RESPONSIBILITY VS. ACTUAL FUNDING 1989 - 1994 Most Urgent Needs

HIGHWAY USER SHARE



NON-USER SHARE



CANDIDATE HIGHWAY REVENUE MEASURES AND REVENUE POTENTIALS

REVENUE MEASURE	6-YEAR ADDITIONAL REVENUE (in $ Millions)
Motor Fuel Taxes	
1. Increase the fuel tax rate by 5 cents/gal.	178.1
2. Adopt an ad valorem gas tax (18% assuming 5%/year increase in price of fuel)	125.9
3. Abolish the 4 cent Gasohol tax exemption	15.0
4. Institute a sales tax on motor fuels (5% assuming 5%/year increase in price of fuel)	214.9
5. Extend authority for a local option motor fuel tax (5 cents/gal.)	178.1
6. Adopt an oil company franchise tax (5 cents/gal.)	178.1
Registration Fees	
7. Increase rates for basic vehicle registration fees (double current fees)	175.6
8. Increase other registration fees, trip permits, etc. (double current fees)	47.3
Other User Taxes	
9. Increase drivers license fees (double current fees)	13.3
10. Increase weight distance tax (double current fees)	162.5
11. Institute property taxes on motor vehicles (national average of $94 for automobiles and $423 for trucks)	443.2
Non-User Revenue Measures	
12. Dedicate a portion (5%) of the total state sales tax revenues for use on local jurisdiction highways	111.0
13. Dedicate the sales tax on motor vehicles and motor vehicle accessories to local jurisdiction highways	150.0
14. Add a 1/2 percent increment to the general sales tax for local jurisdiction highways	220.9
15. Institute a severance tax on non-fuel, mineral production (2%)	39.0
16. Increase local property taxes by 2 mills and apply to local jurisdiction highways	300.6
17. Institute a highway dedicated local option sales tax (1/2 percent)	220.9
18. Dedicate a portion of corporate income tax revenue (5%)	22.9
19. Encourage private participation in transportation projects	Unknown

division of HDA funds between the state and local jurisdictions, (2) the distribution between cities and counties/highway districts, (3) the formula for distributions to individual cities, and (4) the formula for distributions to individual counties and highway districts.

State vs. Local Jurisdiction Distributions - Of the $518.9 million in federal-aid for Idaho's highways, 92 percent is forecast to be spent on the state system. Of the state generated highway user funds remaining after deduction of 6 percent of HDA funds for Law Enforcement, 63.9 percent will be allocated to the state system. This takes into account the change in the distribution percentage to take place beginning Fiscal Year 1991. Thus, 73.5 percent of all highway user revenues will go to state highway programs.

Based on user cost responsibilities for the Most Urgent Needs, state highways should get 64.3 percent of all highway user taxes. Based on Structural Integrity Needs, this share increases to 66.8 percent.

It should be noted that highway user revenues from current sources are inadequate to meet user cost responsibilities on the state system and each of the three local jurisdictional levels. Consequently, there is cause to argue that the adopted HDA formula for state versus local jurisdictions should continue until such time as there is an acceptable match of user revenues with user cost responsibilities on the state system.

On the other hand, it probably would be more equitable to attempt balancing of HDA distributions with cost responsibilities as new revenues are applied to the state and local highway systems. That is, new highway user revenues could be allocated so that the distribution more closely matches user cost responsibilities. However, it makes little sense to change the adopted distribution formula as it applies to current highway user taxes if all this does is redistribute the shortfalls in highway user revenues. Instead, a hold harmless arrangement regarding existing sources seems more prudent.

If a hold harmless approach is adopted, distributions of new highway user revenues should be allocated 59.4 percent to the state system and 40.6 percent to local jurisdictions based on highway user cost responsibilities. This will provide a more equitable distribution based on cost responsibility for the Most Urgent Needs. The State proportion would drop to 51.9 percent for the Structural Integrity Needs. Clearly, a choice has to be made as to which level of highway system performance is to be aimed for in order to establish the actual percentage allocation to state highways.

City vs. County and Highway District Distributions - Of the HDA funds allocated to local governments, 30 percent goes to cities. The HDA apportionments for cities included within a highway district (i.e., cities within Ada County and Sandpoint Highway Districts) are then reallocated to the respective highway district since they administer the street programs in such cities. Consequently, the effective share of HDA funds to those cities which have street responsibilities is 22.5 percent of the local government allocation.

Under adopted distribution arrangements, highway user revenues allocated to cities outside highway districts will amount to 84 percent of the highway user cost responsibility for Most Urgent Needs. Based on Structural Integrity Needs, highway user revenues to cities will exceed user cost responsibilities.

Including the cities within highway districts changes these relationships materially. Assuming a hold harmless provision regarding current highway user funds, the analysis of cost responsibilities indicates that 18.7 percent of any new highway user revenues should be allocated to cities. Based on Structural Integrity Needs, cities will receive HDA funds from current sources which approximate cost responsibilities.

HDA Distributions to Individual Cities - For purposes of HDA distributions, funds are allocated to each city on the basis of population, regardless of whether the city's street needs are administered by the city government or by a highway district. This is logical for it treats each city's needs on a comparable basis regardless of the administrative structure used to run the street program. Where city street programs are administered by a highway district, the city's HDA funds are passed through to the highway district.

Analyses were performed to determine if there was a more equitable basis for distributing HDA funds to cities other than population. It was found that population does closely correlate with street needs in cities. Nevertheless, some improvement in statistical correlation could be achieved if certain other measures were employed, i.e., (1) improved road miles, (2) improved road lane miles, (3) paved road miles, or (4) paved lane miles. If a change is made in the distribution formula to better match revenues with needs, improved road lane miles would be a logical choice. A hold harmless provision should be considered if a change is made in the formula.

HDA Distributions to Individual Counties and Highway Districts - Distributions of HDA funds to counties and highway districts are as follows:

- 10% equally divided;
- 45% based upon motor vehicle registration revenue; and,
- 45% based upon improved road mileage.

Analyses showed that the existing distribution formula correlates well with county road needs but not very well with highway district needs.

If a single variable equation was considered desirable as a replacement formula, these analyses indicate that improved road miles would be the best choice. The best two variable equation would be:

3% (motor vehicle registration revenues) +
97% (improved road miles).

The best overall three variable equation would be:

4% (motor vehicle registration revenue) +
10% (improved road miles) +
86% (land area).

As with other HDA distribution aspects, a hold harmless provision would be an equitable way to handle the transition to a new formula.

Distribution of Non-User Revenues

Some of the potential non-user revenue sources which warrant consideration to reduce the shortfall in non-user financing logically could involve state administration, such as a statewide general sales tax imposed for highway purposes. If collected by the State, decisions will be required as to how these funds should be allocated to achieve an equitable relationship between apportioned funds and highway needs.

Assignments of cost responsibilities recognize that the land access functions of arterial highways are subordinate to their travel-service functions. A large portion of the state highway system consists of arterials with most of the remainder being major collectors. For Most Urgent Needs, cost responsibility assignments indicate that none of the state system should be financed from non-user revenue sources, despite the fact that there are obvious non-user benefits associated with state highways.

The cost responsibility analyses also indicate that between 27 and 30 percent of non-user revenues should be applied to city streets (including city streets within the Ada County and Sandpoint Highway Districts). The remaining 70 to 73 percent should be applied to county and highway district highway programs.

The formulas used for distributing highway user revenues to individual cities and to individual counties and highway districts are equally applicable for distribution of state-administered non-user revenues. These formulas are intended to match funds with needs as equitably as possible.

Apportionments of non-user revenues for the cities within the Ada County and Sandpoint Highway Districts logically should be handled in the same way as user revenues are apportioned. That is, these cities would participate in the city revenue distributions with the apportioned funds being passed through to the respective highway district. The revenue split between cities and counties/ highway districts, as discussed above, reflects this arrangement.

III - Federal Issues

Legislation creating the LHNAC charged it with the responsibility to examine special provisions regarding the Federal Government's functions in Idaho.

Payments-in-Lieu of Taxes (PILT)

While a major employer and the State's largest single landowner, by law the Federal Government is not required to pay any taxes to state or local governments. PILT is a program whereby the Federal Government attempts to rectify this inequity. For the Fiscal Years 1985 through 1988, PILT funds in Idaho increased from $7.3 million to $7.9 million, with counties being the recipients. Study investigations indicate that these funds are placed in the respective County General Funds and mixed with other receipts. Therefore, they lose their identity and it is not possible to trace the disposition of these special funds or to determine the extent to which they are used for highway programs.

Federal Vehicle Exemptions

Although federal vehicles travel over state and local highways, they are exempt from user taxes and fees. The principal federal agencies involved in vehicle usage in Idaho are the U.S. Forest Service, Bureau of Land Management, Bureau of Indian Affairs and the General Services Administration.

Based on the number of federal vehicles and their travel, it was estimated that, had federal vehicles paid state user taxes, some $277,000 would have been generated in 1988. This would have increased funds in the Highway Distribution Account by 0.2 percent.

Access to Federally-Owned Lands

The Federal Government controls 64 percent of the land area in Idaho. These federal lands are used for a variety of activities including logging, mineral extraction, grazing and recreation. Maintenance of highways which provide access to federal lands often is the responsibility of local governments. It is estimated that there are about 700 federal land access roads throughout the State, constituting approximately 4,000 miles or 14 percent of all local government highways. For 87 percent of these access roads, less than one-half of the vehicle travel on them is associated with federal land uses. Almost half of the roads had less than 20 percent utilization by vehicles engaged in activities associated with the federal lands.

Study investigations suggest that access roads to federal land are not a significant problem except in isolated instances. Difficulties primarily relate to those instances where heavy vehicles used for logging and mining operations cause maintenance problems. Where this occurs, local governments feel that federal revenues associated with these activities are insufficient to off-set highway maintenance costs.

Impacts of Federal Standards

An investigation was made to determine the impact of Federally mandated highway and bridge standards upon the opportunities for local governments to utilize Federal highway funds. From this investigation, it was found that a majority of local jurisdictions feel that Federal requirements and practices are too stringent and cite them as a primary reason for not participating in federal-aid projects. The higher costs associated with these standards are a major factor in these decisions. The total impact of federal requirements on project costs is 33 percent above nonfederal-aid projects. This includes the impact on project scope, design and construction activities.

Because of these impacts on local jurisdictions, the State has instituted a Local Federal-Aid Secondary (FAS) Exchange Program, or "buy-back" arrangement, whereby counties and highway districts may exchange FAS funds for State Highway Account funds.

IV - Local Jurisdiction Organizational Features

A descriptive analysis was prepared regarding the organizational features of local jurisdictions responsible for highway programs. This analysis documented the major differences in the size of highway organization and the highway system for which they were responsible.

An opinion poll also was conducted which generated a 21 percent response rate. Because respondents do not constitute a statistically controlled sample of local governments, the opinions do not necessarily reflect the circumstances and attitudes of all local governments.

The majority of respondents indicated that they were understaffed and could not undertake the responsibility of more road miles. Equipment fleets appear to be less of a constraint to increased highway responsibilities than were staff limitations. Respondents indicated that their most pressing personnel needs generally were equipment operators, drivers and laborers. Responses suggest that a modest amount of intergovernmental cooperation exists between local jurisdictions with some jurisdictions providing services on behalf of other jurisdictions.

Attitudes of survey respondents regarding consolidation of highway responsibilities were mixed. There was no clear indication that highway personnel and/or equipment would be better utilized or that cost savings and improved program delivery would accompany consolidation of responsibilities. Cities that responded were the most favorable to consolidation while the responding highway districts were least favorable.

Where Does Idaho Go From Here?

Idaho's highway problems are not unique. Other states also are faced with deficient highway systems because highway revenues have not kept up with inflation and growing highway system demands. Some states have taken aggressive steps in recent years to address these problems. During 1989, 18 state legislatures and the District of Columbia voted to increase their motor fuel tax rates. Increases in four states were 5 cents per gallon or more.

Idaho now must decide if it, too, will face up to the need for bold and imaginative initiatives which will begin to correct the problems that have been allowed to accumulate. The lack of adequate actions in the past has led Idaho to its current situation. Only forceful actions now can prevent further increases in the backlog of highway needs. In view of the substantial economic benefits which derive from Idaho's state and local highways, and the potential disastrous effects if corrective actions are not taken, the Local Highway Needs Assessment Council submits this report with the strong conviction that now is the time for Idaho to undertake bold measures.